Supreme Court, U.S.
FILED
SEP 16 2009
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(3)

No. 09-198

IN THE

Supreme Court of the United States

MEDELA AG AND MEDELA, INC.,

Petitioners,

v.

KINETIC CONCEPTS, INC., KCI LICENSING, INC., KCI USA, INC., AND WAKE FOREST UNIVERSITY HEALTH SCIENCES,

Respondents.

On Petition For A Writ Of Certiorari To The United States Court Of Appeals For The Federal Circuit

BRIEF OF AMICI CURIAE INTEL CORPORATION, SAP AMERICA, INC., AND SHORETEL, INC., IN SUPPORT OF PETITIONERS

THEODORE B. OLSON
Counsel of Record
THOMAS G. HUNGAR
TANYA MAZUR
REEVE T. BULL
GIBSON, DUNN & CRUTCHER, LLP
1050 Connecticut Ave, NW
Washington, DC 20036
(202) 955-8500

Counsel for Amici Curiae

QUESTION PRESENTED

Whether a person accused of patent infringement has a right to independent judicial, as distinct from lay jury, determination of whether an asserted patent claim satisfies the "non-obvious subject matter" condition for patentability.

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BRIEF OF *AMICI CURIAE* INTEL CORPORATION, SAP AMERICA, INC., AND SHORETEL, INC., IN SUPPORT OF PETITIONERS

INTEREST OF AMICI CURIAE[1]

The question presented is whether the practice of submitting to juries the ultimate legal issue of obviousness under 35 U.S.C. § 103, rather than reserving that issue for independent judicial resolution, conflicts with this Court's precedents and Congress's stated policy of ensuring uniformity in the patent laws. *Amici curiae* are innovative, high-technology companies that are leaders in the fields of computer hardware and software, communications, information technology, and Internet technology. Accordingly, *amici* have a significant interest in the correct resolution of this question.

Intel is the world's largest semiconductor manufacturer and is also a leading manufacturer of computer, networking, and communications products. SAP America, Inc. is a leading technology company focused on developing innovative software and computer-based business solutions. ShoreTel, Inc., is a leading provider of Pure IP unified communications systems.

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[1] Pursuant to this Court's Rule 37.3(a), letters of consent from all parties to the filing of this brief have been submitted to the Clerk. Pursuant to this Court's Rule 37.6, *amici* state that this brief was not authored in whole or in part by counsel for any party, and that no person or entity other than *amici* and their counsel made a monetary contribution to the preparation or submission of this brief.

Though *amici* rely on patent laws to protect their intellectual property, they also recognize that "obvious" patents undermine confidence in our intellectual-property system and promote needless litigation. Because intellectual property represents a significant component of *amici*'s businesses, they have a unique interest in ensuring that patent laws optimally promote innovation while preserving competition by minimizing the grant of invalid patents and ensuring uniform and predictable judicial application of the legal standards governing patentability.

The Federal Circuit's practice of allowing juries to resolve obviousness undermines the goal of uniformity that this Court emphasized in *Graham v. John Deere Co.*, 383 U.S. 1 (1966), which held that obviousness presents a question of law for the court. *Amici* believe that reserving the obviousness question for independent judicial resolution, the approach indicated by this Court's precedents and favored by at least two regional circuits, more efficiently serves the goal of promoting uniformity and predictability in the application of the patent laws and ensuring that "obvious" patents are declared invalid.

SUMMARY OF ARGUMENT

Congress created the Federal Circuit in 1982 with the intention of "increas[ing] doctrinal stability in the field of patent law." S. Rep. No. 97-275, at 5 (1981), *reprinted in* 1982 U.S.C.C.A.N. 11, 15. By creating a single court to hear appeals in cases arising under patent law, Congress sought to achieve stability in a field where it saw "a special need for national uniformity." *Id.* at 4. Since 1982, the Federal Circuit has undoubtedly brought greater uniformity to many aspects of patent law. Nevertheless,

in light of the exceeding importance of the patent system to the national economy, this Court has not hesitated to review and modify Federal Circuit precedents in a manner that promotes uniformity by bringing patent law into greater congruity with other areas of law. *See, e.g.*, *MedImmune, Inc. v. Genentech, Inc.*, 549 U.S. 118, 132 n.11, 137 (2007); *eBay, Inc. v. MercExchange, L.L.C.*, 547 U.S. 388, 393–94 (2006). The same considerations justify this Court's review here.

I. In *KSR Int'l Co. v. Teleflex, Inc.*, 550 U.S. 398 (2007), this Court clarified the standard for obviousness under Section 103. The effects of that ruling have been muted in the litigation context, however, because even though this Court has repeatedly declared obviousness to be a question of law, *see id.* at 427; *Graham*, 383 U.S. at 17, the Federal Circuit permits (and effectively encourages) submission of that *legal* question to *juries* for a "yes/no" answer that is then given essentially binding effect by the courts. *Perkin-Elmer Corp. v. Computervision Corp.*, 732 F.2d 888, 894–95 (Fed. Cir. 1984). Such "black-box" obviousness determinations are immunized from both independent resolution by district judges and meaningful appellate review, because the courts must presume that the jury found all facts necessary to support its ultimate obviousness conclusion. *Group One Ltd. v. Hallmark Cards, Inc.*, 407 F.3d 1297, 1304 (Fed. Cir. 2005); *Perkin-Elmer*, 732 F.2d at 895.

A. This approach is inconsistent with this Court's precedents and undermines the Congressional goal of uniformity in patent law. First, the Federal Circuit's approach departs from this Court's

obviousness jurisprudence by failing to preserve a meaningful decisionmaking role for the courts and nullifying the "legal" character of the obviousness determination. *KSR* held that "[t]o facilitate review, [the obviousness] analysis should be made explicit," 550 U.S. at 418, but the approach followed below replaces "explicit" analysis by judges with hypothesized assumptions about what a lay jury may have found.

B. The Federal Circuit's approach is also inconsistent with the standard this Court has established for mixed law-fact issues where uniformity is important. In such contexts "the Court has been reluctant to give the trier of fact's conclusions presumptive force." *Miller v. Fenton*, 474 U.S. 104, 114 (1985). The Federal Circuit's contrary approach conflicts with this Court's recognition in *eBay* and *MedImmune* that creating specialized doctrines for patent law does not enhance uniformity or certainty in the law.

C. The Federal Circuit's approach also conflicts with decisions of the regional circuits rejecting the "black box" approach to resolution of the ultimate issue of obviousness. That conflict breeds further confusion at the district court level and merits this Court's review.

II. Juries are particularly unlikely to reach consistent or accurate results on the issue of obviousness. Untrained in either science or law, jurors face great confusion in applying complex legal standards to equally complex facts, and the Federal Circuit's hypothetical presumption that the jury found all facts necessary to support its legal conclusion effectively insulates the jury's decision from meaningful

appellate review, allowing obvious patents to remain enforceable and thereby harming innovation. This Court should grant certiorari to promote greater uniformity in the patent laws and ensure compliance with its precedents.

ARGUMENT

I. THE FEDERAL CIRCUIT'S STANDARD DEPARTS FROM THIS COURT'S PRECEDENTS, CREATES A CIRCUIT CONFLICT, AND UNDERMINES PATENT-LAW UNIFORMITY

A. This Court's Jurisprudence Requires Independent Judicial Determinations Of Obviousness

Under the Patent and Copyright Clause of the Constitution, Congress is empowered to "promote the Progress of Science and useful Arts" by according for a limited time to "Inventors" the "exclusive Right" to their "Discoveries." U.S. CONST. art 1, § 8, cl. 8. Because Congress controls the grant of patents, the validity of a patent constitutes a public right. *Patlex Corp. v. Mossinghoff*, 758 F.2d 594, 604 (Fed. Cir. 1985) (a patent is "a right that can only be conferred by the government" and "the grant of a valid patent is primarily a public concern"); *Zoltek Corp. v. United States*, 442 F.3d 1345, 1352 (Fed. Cir. 2006) ("patent rights are a creature of federal law"). As with all public rights, Congress controls how and where the right will be vindicated; "the Seventh Amendment does not entitle the parties to a jury trial" on such issues. *Granfinanciera, S.A. v. Nordberg*, 492 U.S. 33, 42 n.4, 51 (1989); *Murray's Lessee v. Hoboken Land & Improvement Co.*, 59 U.S. (18 How.) 272, 284

(1855). For instance, in *Patlex*, the Federal Circuit upheld the authority of the United States Patent and Trademark Office ("PTO"), an administrative tribunal, to determine patent validity in reexamination proceedings, notwithstanding the absence of a jury. 758 F.2d at 604.

Similarly, though an *overall* right to a jury trial in a patent infringement suit seeking damages may exist, the Constitution does not mandate that every specific issue relating to patent *validity* be tried to a jury. *Ross v. Bernhard*, 396 U.S. 531, 538 (1970) ("The Seventh Amendment question depends on the nature of the issue to be tried rather than the character of the overall action."). In *Ross*, for example, the Court stated that a threshold question (the plaintiff's right to sue) could "first be adjudicated as an equitable issue triable to the court," followed if necessary by a jury trial on the plaintiff's claim for damages. *Id.* at 539. There is no reason why a similar approach could not be followed for the issue of obviousness.

Indeed, certain issues that implicate patent validity or enforceability already are heard exclusively by judges, even when (as with claim construction) the issue may involve "receipt of evidence" and "credibility determinations" and thus "'falls somewhere between a pristine legal standard and a simple historical fact.'" *Markman v. Westview Instruments, Inc.*, 517 U.S. 370, 378, 388 (1996) (quoting *Fenton*, 474 at 114); *see Baxter Healthcare Corp. v. Spectramed, Inc.*, 49 F.3d 1575, 1584 (Fed. Cir. 1995) (inequitable conduct). Accordingly, this Court's precedent does not establish any comprehensive Seventh Amendment right to have a jury decide all is-

sues of patent validity, particularly issues that (as here, *see* Pet. App. 17a-19a) fundamentally involve "[t]he construction of terms of art" in written documents—the traditional province of judges. *Markman*, 517 U.S. at 390.[2]

Given the "public right" pedigree of patent validity, there is no constitutional bar to independent judicial (rather than jury) resolution of obviousness. "[I]f Congress may assign the adjudication of a statutory cause of action to a non-Article III tribunal [as occurred in *Patlex*], then the Seventh Amendment poses no independent bar to the adjudication of that action by a nonjury factfinder." *Granfinanciera*, 492 U.S. at 53–54.

In adopting the obviousness requirement in the 1952 Patent Act, Congress placed particular emphasis on the need for uniformity and clarity in the patent laws. H.R. Rep. No. 82-1923, at 7 (1952) ("[Section 103] is added to the statute for uniformity and definiteness.").[3] In order to ensure that Congress's

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[2] This Court has looked to historical practices prior to the Framing to shed light on the scope of the Seventh Amendment jury-trial right. *Markman*, 517 U.S. at 376; *Granfinanciera*, 492 U.S. at 41–42. But whatever light that inquiry might shed on other patent-law issues, it can have no bearing on obviousness, which is a creature of the 1952 Patent Act (and even its doctrinal antecedent—the concept of "invention"—arose only in the mid-19th century, *see Graham*, 383 U.S. at 16).

[3] The Constitution does not demand that issues of patentability be tried to juries, but it does require that patents promote the "useful Arts," and this Court has long recognized that obvious variations on prior art devices fail to satisfy that requirement. *See Hotchkiss v. Greenwood*, 52 U.S. (11 How.)

[Footnote continued on next page]

goal of uniformity was achieved, the *Graham* Court held that the obviousness inquiry was a question of law. *Graham*, 383 U.S. at 17–18.

By defining obviousness as an issue of law, the *Graham* Court clearly envisioned a substantial and meaningful role for federal judges in ensuring that the obviousness requirement is enforced and applied uniformly. First, *Graham* ensures that appellate courts possess plenary review over the obviousness determinations of trial courts, thereby enabling appellate courts to correct any errors of law and to promote uniformity in patent decisions. *Id.* Second, *Graham* strongly implies that the district judge rather than the jury must decide the ultimate issue of obviousness. The *Graham* opinion repeatedly states that the obviousness inquiry is to be applied "by the courts" or the PTO. *See Graham*, 383 U.S. at 18–19 ("[W]e have focused attention on the appropriate standard to be applied *by the courts* . . . . [W]e conclude here that the inquiry that the Patent Office

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[Footnote continued from previous page]
248, 267 (1850) ("[U]nless more ingenuity and skill . . . were required . . . than were possessed by an ordinary mechanic acquainted with the business, there was an absence of that degree of skill and ingenuity which constitute essential elements of every invention."). Indeed, *Graham* discussed at length the Constitutional pedigree of the obviousness inquiry prior to reaching the conclusion that it constituted an issue of law. 383 U.S. at 5–12. Given the centrality of non-obviousness to the constitutional directive of promoting "useful Arts," the *Graham* Court could not have intended to leave the obviousness issue to the caprices of lay jurors, who often understand neither the complex science of the patent nor the intricacies of the legal standard for obviousness.

and the courts must make as to patentability must be beamed with greater intensity on the requirements of § 103 . . . ." (emphases added)). Nowhere does the opinion suggest that it intended to depart from the typical practice of reserving legal issues for the judge.

This Court has never held that obviousness should be decided by juries. Rather, in *KSR* the Court again described a system in which judges, not lay juries, decide the obviousness issue. *See, e.g.*, *KSR*, 550 U.S. at 407 ("If *a court*, or patent examiner, conducts this analysis and concludes the claimed subject matter was obvious, the claim is invalid under § 103." (emphasis added)); *id.* at 418 ("*[A] court* can take account of the inferences and creative steps that a person of ordinary skill in the art would employ." (emphasis added)).

Further, *KSR* articulates objectives for the obviousness inquiry that are ill-served by, and inconsistent with, submission of the ultimate question to a jury. *KSR* asserts that "[t]o facilitate review, [the obviousness] analysis should be made explicit." *Id.* Jury verdicts employed in modern patent trials generally contain the antithesis of "explicit" analysis. As in this case (Pet. 6; Pet. App. 42a), verdict forms typically use simple "yes/no" inquiries asking whether the jury found the claim at issue "obvious," or, even more vaguely, found the patent "valid," in light of the jurors' undisclosed assessment of the prior art. Kimberly A. Moore, *Juries, Patent Cases, & A Lack of Transparency*, 39 Hous. L. Rev. 779, 784–86 (2002). The *KSR* Court's analysis of the obviousness inquiry thus confirms the impropriety of submitting the ultimate issue of obviousness for

binding resolution by the jury, because that approach produces inconsistencies and errors that an appellate court cannot correct in light of the obscurity of the jury's reasoning and the rigid presumption that the jury found all facts necessary to support its legal determination of obviousness.

B. This Court's Precedents Mandate a Meaningful Judicial Role in Deciding and Reviewing Legal Issues Based on Underlying Facts Where Uniformity Is Sought

The obviousness inquiry, of course, is not the only area of law in which courts must apply a legal standard to factual issues where uniformity of application is particularly important. This Court has frequently confronted a similar scenario in considering the constitutional permissibility of certain types of evidence in criminal trials. As with the obviousness inquiry, such questions often couple a legal standard, *e.g.*, whether a confession is "involuntary," with underlying issues of historical fact, *e.g.*, the circumstances surrounding the confession. In such cases, this Court has held that the ultimate determination constitutes a question of law or mixed question of law and fact to be decided by a judge at the trial level and subjected to *de novo* review on appeal. In so holding, the Court has emphasized the necessity of uniformity in the interpretation and enforcement of the law, precisely the same policy that animates the patent-law doctrine of obviousness.

This Court confronted such a "hybrid" law/fact question in *Fenton*. In that case, even though federal courts in habeas corpus proceedings are normally obligated to defer to state court fact-finding, the Court

concluded that the voluntariness of a confession was to be treated as a legal inquiry subject to independent and plenary federal court review. *Id.* at 110-111, 115. The *Fenton* Court explained that where "the relevant legal principle can be given meaning only through its application to the particular circumstances of a case, the Court has been reluctant to give the trier of fact's conclusions presumptive force and, in so doing, strip a federal appellate court of its primary function as an expositor of law." *Id.* at 114.

This Court reached similar conclusions with respect to the questions of whether reasonable suspicion or probable cause existed and whether a defendant was "in custody," each of which this Court treated as a hybrid law/fact issue subject to plenary appellate review. *Ornelas v. United States*, 517 U.S. 690, 691, 696 (1996); *Thompson v. Keohane*, 516 U.S. 99, 112–13 (1995). In mandating independent appellate review, the Court emphasized that the contrary approach—*i.e.*, deference to the factfinder's determination—would produce "varied results" that would be "inconsistent with the idea of a unitary system of law" and with the obligation of "appellate courts . . . to maintain control of, and to clarify, the legal principles." *Ornelas*, 517 U.S. at 697; *see Keohane*, 516 U.S. at 115 (reasoning that "the law declaration aspect of independent review potentially may . . . unify precedent[] and stabilize the law").

The analogies between the obviousness inquiry and the criminal-procedure inquiries addressed in these cases are clear: each involves an underlying

constitutional issue,[4] each features a body of law where uniformity is of preeminent value, and each has been declared either a question of law or a mixed question subject to *de novo* review on appeal. In short, when uniformity in a body of law is an important value and no constitutional jury-trial right is implicated, this Court has provided for initial resolution by trial judges and *de novo* review by appellate judges. *Accord Markman*, 517 U.S. at 390-391 (emphasizing "the importance of uniformity" as "an independent reason to allocate all issues of construction to the court" and observing that "[u]niformity would . . . be ill-served by submitting issues of document construction to juries").

Notwithstanding this pattern in the Court's case law, the Federal Circuit's approach effectively assigns the obviousness determination to the jury, with only limited and highly deferential judicial review. *Perkin-Elmer*, 732 F.2d at 894–95. For reasons explored in more detail in Part II below, lay juries, steeped in neither the technical intricacies of the science underlying most patented inventions nor the complexities of obviousness law, cannot be expected to apply that law in a manner that promotes consistency and produces accurate results.

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[4] Although expressed in the Patent Act, the obviousness requirement has a constitutional dimension as well. *See supra* n.3. As the Court explained in *Graham*, "[i]nnovation, advancement, and things which add to the sum of useful knowledge are inherent requisites in a patent system which by constitutional command must 'promote the Progress of . . . useful Arts.' This is the standard expressed in the Constitution and it may not be ignored." 383 U.S. at 6.

Federal judges, by contrast, possess the expertise necessary to apply the governing legal standard to the facts underlying a typical obviousness inquiry. Yet the Federal Circuit's approach precludes both the trial judge's and the appellate court's role of independent review, because the courts are limited to inquiring whether the jury *could* have found facts (whether or not it actually did so) sufficient to support its obviousness determination. *Hallmark Cards*, 407 F.3d at 1304. Such a procedure frustrates the *Graham* Court's goal of uniformity and conflicts with this Court's recognition in *Miller*, *Ornelas*, and *Keohane* that independent, meaningful, *de novo* appellate review is essential when, as here, there is a particular need for uniformity in application and elucidation of the governing legal standard. Accordingly, review is warranted so that this Court can bring the obviousness inquiry into congruence with the approach followed with mixed law/fact questions where uniformity is important, which are determined independently by judges at the trial level and reviewed *de novo* on appeal.

C. The Federal Circuit's Approach Conflicts With Decisions Of The Regional Circuits

In addition to departing from this Court's jurisprudence, the Federal Circuit's approach of leaving obviousness determinations to juries conflicts with the standards adopted by the Seventh and Ninth Circuits, and apparently the Fifth Circuit as well. This Court has recognized that circuit conflicts between the Federal Circuit and regional circuits are an indicator that certiorari is warranted. *Pfaff v. Wells Elecs., Inc.*, 525 U.S. 55, 60 (1998). Such con-

flicts have heightened relevance in light of *Holmes Group, Inc. v. Vornado Air Circulation Sys., Inc.*, 535 U.S. 826 (2002), which held that the regional circuits retain jurisdiction over cases in which a patent claim is asserted only as a counter-claim, *id.* at 834. Thus, Federal Circuit jurisdiction over patent issues is not exclusive, and district courts within the Seventh, Ninth, and potentially the Fifth Circuits therefore face the unenviable task of applying two separate bodies of law to the obviousness inquiry depending upon whether patent rights are asserted on the face of the well-pleaded complaint or instead as counter-claims.

In *Roberts v. Sears, Roebuck & Co.*, 723 F.2d 1324 (7th Cir. 1983), the Seventh Circuit, sitting en banc, interpreted *Graham*'s declaration that the obviousness inquiry is a question of law as establishing that it is reversible error to submit the obviousness issue to the jury in a manner analogous to the procedure followed by the district court in this case. The *Roberts* court held that the "trial court abdicated its control over the legal issue" because "ask[ing] the jury to pass upon the ultimate legal question, guided only by general instructions, ... impermissibly allowed the jury to be the final arbiter of the legal issue of patent validity." *Id.* at 1342–43.

The Ninth Circuit, also sitting en banc, reached the same result in *Sarkisian v. Winn-Proof Corp.*, 688 F.2d 647, 651 (9th Cir. 1982), holding that "[t]he court must, in all cases, determine obviousness as a question of law independent of the jury's conclusion. Constitutional standards of patentability must not be evaded by improper fact finding." Thus, the Federal Circuit's standard differs from that of at least

two regional circuits, both of which concluded that courts must assume responsibility for independently deciding the ultimate question of obviousness rather than merely submitting that ultimate issue to the jury for binding resolution subject only to highly deferential review.

As the petition explains (Pet. 14–16), the practice in the Fifth Circuit is somewhat more ambiguous, but in its last consideration of the issue, the Fifth Circuit deemed it improper for a district court to submit the ultimate issue of obviousness to the jury, because "the ultimate legal issue of validity should have been determined by the judge, not the jury." *Baumstimler v. Rankin*, 677 F.2d 1061, 1070 (5th Cir. 1982). The court pointed with approval to a previous opinion reasoning that "'meaningful devotion to *Graham* . . . . require[s] jury verdicts on special interrogatories'" and that courts cannot meaningfully review jury verdicts on patent validity merely by "presum[ing] that disputed matters of fact have been resolved favorably to the prevailing party." *Id.* at 1071 (quoting *Control Components, Inc. v. Valtek, Inc.*, 609 F.2d 763, 775 (5th Cir. 1980) (Rubin, J., concurring in part and dissenting in part)).

Thus, the Federal Circuit procedure clearly conflicts with the approach of two sister circuits and appears to be inconsistent with that of a third. Such a conflict not only casts doubt upon the propriety of the Federal Circuit's holding that *Graham* permits jury resolution of obviousness subject only to deferential judicial review, but also fosters confusion for district court judges in the Fifth, Seventh, and Ninth Circuits, who must apply Federal Circuit law in some patent cases and regional circuit law in others. Ac-

cordingly, this Court should grant certiorari to resolve this conflict among the circuits.

II. THE QUESTION PRESENTED HAS SIGNIFICANT PRACTICAL CONSEQUENCES AND THIS CASE PROVIDES A SOUND VEHICLE FOR ITS RESOLUTION

The Federal Circuit's failure to require an independent judicial (rather than lay jury) determination of obviousness presents an issue of substantial and recurring practical importance. Questions of obviousness arise in the vast majority of the thousands of patent cases filed each year. *See* Josh Harrison, *Do the Evolution: The Effect of KSR v. Teleflex on Biotechnology*, 5 Okla. J. L. & Tech. 42, 59 (2009); Administrative Office of the U.S. Courts, 2008 Annual Report of the Director 145 (2008). Allowing lay juries to render ultimate legal decisions without delineating their underlying factual findings provides patent holders possessing invalid patents with a tactical advantage in bringing an infringement suit, renders patent litigation more costly and uncertain, and prevents meaningful judicial review.

Even after this Court's decision in *KSR*, obviousness continues to be the most frequently litigated patent validity issue. *See* Harrison, *supra*, 5 Okla. J. L. & Tech. at 59; J.R. Allison and M.A. Lemley, *Empirical Evidence on the Validity of Litigated Patents*, 26 AIPLA Q.J. 185, 208-09 (1998). Empirical studies also demonstrate that the frequency of jury participation in patent litigation is increasing dramatically. *See* Kimberly A. Moore, *Judges, Juries, and Patent Cases – An Empirical Peak Inside the Black Box*, 11 Fed. Cir. B.J. 209, 210 (2002) (comparing the propor-

tion of patent cases tried to juries in 1940 (2.5%) and in 1999 (59%)).

Empirical evidence also suggests that (1) juries tend to find in favor of patent holders more often than do judges; (2) juries are more likely than judges to find patents valid; and (3) juries tend to favor the party initiating the litigation. *See* Moore, 39 Hous. L. Rev. at 780-81; *see also* Amy Tindell, *Toward a More Reliable Fact-Finder in Patent Litigation*, 13 Marq. Intell. Prop. L. Rev. 309, 323-24 (2009) (discussing reasons parties may prefer jury trials, including to impress juries with PTO's imprimatur of approval, to overwhelm jurors with technical evidence, or to elicit sympathy). Evidence indicates that the outcome of some patent cases depends upon whether a judge or a jury renders the ultimate decision on validity. Moore, 11 Fed. Cir. B.J. at 239-40.

This Court's decision in *KSR*, which rejected the Federal Circuit's rigid teaching-suggestion-motivation ("TSM") test for obviousness, has improved the quality of patents granted by the PTO,[5] but has had no discernible impact on the rate of obviousness determinations by the Federal Circuit,[6] perhaps because that court still appears to require "motivation" in order to establish obviousness. *See, e.g., Eisai Co.*

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5 Arti K. Rai, *Growing Pains in the Administrative State: The Patent Office's Troubled Quest for Managerial Control*, 157 U. Pa. L. Rev. 2051, 2053 (2009).

6 Emer Simic, *The TSM Test is Dead!: Long Live the TSM Test! The Aftermath of KSR, What Was All the Fuss About?*, 37 AIPLA Q.J. 227, 250-51 (2009) (finding that "the rate of obviousness determinations has not increased since *KSR*").

v. Dr. Reddy's Labs., Ltd., 533 F.3d 1353, 1357 (Fed. Cir. 2008) (describing "the requisite motivation"). Thus, while patent prosecution has become more rigorous in light of *KSR*, litigation before juries remains largely unaffected. *See* Carl B. Wischhusen and Jeffrey C. Lee, *Obviousness in the USPTO after KSR v. Teleflex*, 975 PLI/Pat 75 (2009); Esther H. Lim, et al., *Implications of KSR in Prosecution and Litigation: The Standard of Obviousness under 35 U.S.C. § 103*, Managing Intell. Prop., Chinese Ed. (Mar. 2008), *available at* http://www.finnegan.com/resources/articles/articlesdetail.aspx?news=0ffbc063-8857-4dd3-8e91-d2eb2328a7b9. As a result, invalid, obvious patents granted under pre-*KSR* standards may still be upheld by jury verdicts and then subjected only to highly deferential judicial review.

Juries often lack the training and expertise necessary to make correct determinations on the ultimate legal issue of obviousness. Empirical evidence suggests that juries are reluctant to render a patent obvious in direct conflict with an expert PTO examiner's grant of that patent. *See* Moore, 39 Hous. L. Rev. at 787 ("[J]uries are not likely to invalidate patents because juries favor inventors and are unlikely to second-guess the Patent Office that has technically trained examiners who already issued the patents."). Unfortunately, significant numbers of obvious patents were granted under the Federal Circuit's rigid TSM test, making such deference particularly inappropriate. *See* Justin Pats, *Preventing the Issuance of "Bad" Patents: How the PTO Can Supplement Its Practices and Procedures to Assure Quality*, 48 IDEA 409, 411-12 (2008) (citing, as "bad" patents, a patent for a sealed crustless sandwich and one for a method of swinging on a swing).

The lack of an independent judicial determination of obviousness introduces uncertainty, confusion, and potential bias into the resolution of this ultimate legal issue. The consequence is that litigation is less predictable, and obvious patents remain enforceable and valid, in direct contradiction of this Court's teachings in *Graham* and *KSR*.

Anecdotal evidence also indicates that juries experience substantial confusion in rendering decisions on obviousness. Such confusion was apparent in a recent Federal Circuit case in which the jury returned logically irreconcilable verdicts holding a *dependent* claim *invalid* for obviousness while concluding that the *independent* claim (which necessarily encompasses the entirety of the dependent claim) was *valid*. *See Callaway Golf Co. v. Acushnet Co.*, - - - F.3d - - - (Fed. Cir. 2009). While errors of that type are remediable, the seriously confused nature of the jury's findings illustrates the difficulties and lack of understanding that jurors encounter in deciding ultimate questions of obviousness.

Other examples abound of inaccurate jury conclusions regarding obviousness. In the infamous Blackberry case, *NTP, Inc. v. Research in Motion, Ltd.*, 418 F.3d 1282 (Fed. Cir. 2005), the jury found that the patents were valid and infringed. *Id.* at 1291 n.3. After losing its appeal, Research in Motion ("RIM") obtained a license at a cost of $612.5 million. *See* Mark Heinzl, *Blackberry Case Could Spur Patent-Revision Efforts*, Wall St. J., Mar. 6, 2006, at B4. Upon later reexamination of the same patent claims at issue in the litigation, the PTO rejected the claims as invalid. *See* Troy L. Gwartney, *Harmonizing the Exclusionary Rights of Patents With Compulsory Li-*

censing, 50 Wm. & Mary L. Rev. 1395, 1408 (2009). As a result, RIM evidently "purchased the rights to over $650 million of nothing." *Id.* This troubling example demonstrates the harm to innovation caused by inconsistent, confused, opaque, and potentially biased verdicts rendered by juries on the legal question of obviousness.

In 1971, this Court recognized the high costs associated with patent litigation, at a time when the average cost of litigating a patent was $50,000. *Blonder-Tongue Labs., Inc. v. Univ. of Ill. Found.*, 402 U.S. 313, 334-35 (1971). Those costs have skyrocketed in the intervening decades; in 2007, the estimated cost in legal fees to litigate an average patent case was $5.5 million per side. Ian N. Feinberg, et al., *Key Issues in Patent Litigation*, 971 PLI/Pat 235, 276 (2009). At any given time, virtually all major high-technology companies face numerous allegations of patent infringement, which impose massive costs and divert funds and employee resources away from productive activities like research and development. *Patent Litigation: Is it Worth the Expense?*, 26 Genetic Eng'g & Biotech. News (Apr. 1, 2006) *available at* http://www.genengnews.com/articles/chitem_print.aspx?aid=1454&chid=0. Total litigation costs for technology companies are estimated at $4.6 billion per year, a number that has doubled over the past four years. *Hearing on H.R. 1260, the "Patent Reform Act of 2009" Before the House Committee on the Judiciary*, 111th Cong. 11 (2009) (testimony of David Simon, Chief Patent Counsel, Intel Corporation).

Patent holders often utilize the uncertainty associated with jury decision-making to apply undue lev-

erage during licensing or settlement negotiations. Because of the huge direct and indirect costs associated with patent litigation, combined with the substantial risks and uncertainties posed by the prospect of unpredictable jury verdicts, defendants often enter into costly settlements or license agreements involving patents of questionable validity, which ultimately has the effect of increasing costs, decreasing investments in research and development, and raising prices for consumers. *See, e.g., Hearing on "The Patent Reform Act of 2009" Before the Senate Committee on the Judiciary*, 111th Cong. 5 (2009) (testimony of Steven R. Appleton, Chairman and Chief Executive Officer, Micron Technology, Inc.)). Such settlements prevent *KSR* from working to remove invalid patents from the marketplace.

Patent protection for non-obvious inventions serves to encourage innovation, but invalid patents are destructive to our national economy. They hinder competition and retard innovation and technological development, particularly in the area of high technology. Indeed, in the field of information technology, innovation costs arise primarily from licensing fees rather than actual research and development. *See* Andrew Moody, *Patently Obvious: A Dual-Standard Solution to the Diverging Needs of the Information Technology and Pharmaceutical Patent Industries*, 39 Golden Gate U. L. Rev. 71, 88 (2008). Permitting invalid patents to permeate the patent system harms the public by forcing it to "pay tribute to would-be monopolists without need or justification." *See Lear, Inc. v. Adkins*, 395 U.S. 653, 670 (1969).

Against this backdrop, the need for rigorous, independent judicial application and enforcement of the legal standard for obviousness is readily apparent. Unfortunately, however, the Federal Circuit's standard for review of jury verdicts on obviousness falls short of fulfilling that need. Despite the evidence suggesting that juries struggle (at best) with obviousness determinations, judge and jury decisions are affirmed by the Federal Circuit at equal rates. *See* Moore, 39 Hous. L. Rev. at 781; *see also* Amy Tindell, 13 Marq. Intell. Prop. L. Rev. at 323-24. As noted above, the *KSR* decision has not had a noticeable effect on the rate of obviousness determinations by the Federal Circuit. That court's deferential review of jury verdicts, combined with the demonstrated tendency of juries to favor patent-holder plaintiffs on obviousness questions, helps explain that phenomenon, but this simply highlights the problems created by the failure to require independent judicial review of obviousness questions, an approach that does not "facilitat[e] review, uniformity, and possibly post-verdict judgments as a matter of law." *Warner-Jenkinson Co. v. Hilton Davis Chem. Co.*, 520 U.S. 17, 39 n.8 (1997).

This case presents a sound vehicle for this Court to address these vital issues. Certiorari is particularly appropriate here because the Federal Circuit, bound by its own precedent, may view itself as unable to initiate appropriate procedural changes in the wake of *KSR*. The Seventh Circuit, in directing the use of special interrogatories to address the "issues of fact subsidiary to the legal question of obviousness" so as to reserve the ultimate question for meaningful judicial resolution, indicated that it was exercising its "supervisory powers." *See Dual Mfg. & Eng'g,*

Inc. v. Burris Indus., Inc., 619 F.2d 660, 667 (7th Cir. 1980) (*en banc*). Early in its history, however, the Federal Circuit disavowed any supervisory authority over the Nation's district courts with regard to matters particular to patent law. *See Petersen Mfg. Co. v. Cent. Purchasing, Inc.*, 740 F.2d 1541, 1552 (Fed. Cir. 1984); *In re Mark Indus.*, 751 F.2d 1219, 1222 (Fed. Cir. 1984); *In re Int'l Med. Prosthetics Research Assocs., Inc.*, 739 F.2d 618, 619 (Fed. Cir. 1984) ("[T]his court is devoid of [supervisory] authority."). The Federal Circuit may therefore view itself as lacking authority to require district courts to submit factual issues to juries by means of special interrogatories (even assuming such jury resolution is appropriate). Accordingly, this Court is in the best position to consider the full range of potential remedies for the important and recurring problem posed by this case.

CONCLUSION

The petition for a writ of certiorari should be granted.

Respectfully submitted.

THEODORE B. OLSON
Counsel of Record
THOMAS G. HUNGAR
TANYA MAZUR
REEVE T. BULL
GIBSON, DUNN & CRUTCHER, LLP
1050 Connecticut Ave, NW
Washington, DC 20036
(202) 955-8500

Counsel for Amici Curiae

September 16, 2009